

Message Text

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PAGE 01 CANBER 04950 240736Z

21

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 OMB-01 CIEP-01 XMB-02 AID-05 (ISO) W

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R 240705Z JUL 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 6263

INFO AMCONSUL MELBOURNE

AMCONSUL SYDNEY

LIMITED OFFICIAL USE CANBERRA 4950

E.O. 11652: N/A

TAGS: PINT, AS

SUBJECT: SENATE INQUIRY INTO LOANS AFFAIR COMES TO END

REF: CANBERRA 4714

1. SENATE INQUIRY INTO OVERSEAS LOANS AFFAIR (REFTEL)
CAME TO EFFECTIVE END JULY 22 WITH INCONCLUSIVE INTER-
ROGATION OF MR. GERASIMOS KARIDIS (AN ADELAIDE FINANCIAL
CONTACT MAN ALLEGED TO HAVE BEEN INVOLVED IN THIS MATTER).
DETAILED INTERROGATION OF KARIDIS BY SENATOR STEELE
HALL (LIBERAL MOVEMENT, SOUTH AUSTRALIA) AND SENATOR
IVOR GREENWOOD (LIBERAL, VICTORIA) BROUGHT OUT NO NEW
FACTS. IT BECAME APPARENT THAT EITHER KARIDIS KNEW NO-
TING ADDITIONAL OF OVERSEAS LOAN AFFAIR OR WAS UNWILL-
ING TO TALK ABOUT IT. HE WAS POLITE BUT UNINFORMATIVE
IN HIS ANSWERS TO INQUIRIES. KARIDIS WAS EXCUSED FROM
FURTHER TESTIMONY AT END OF SESSION, AND SENATE RECESSED
UNTIL AUGUST 19. SENATOR WITHERS PRESERVED POSSIBILITY
OF RECALLING SENATE PRIOR TO AUGUST 19 IN MOTION ACCEPT-
ED BY SENATE AS A WHOLE.

2. COMMENT: UNLESS SOME NEW FACTS ARE BROUGHT OUT,
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THE OVERSEAS LOANS AFFAIR CAN NOW BE CONSIDERED DEAD.

LABOR GOVERNMENT HAS PROBABLY BEEN DAMAGED TO SOME EXTENT BY REVELATIONS OF QUESTIONABLE FINANCIAL PRACTICES AND EQUALLY QUESTIONABLE CONSTITUTIONAL PRACTICES, IN BY-PASSING LOANS COUNCIL. HOWEVER, PRIME MINISTER WHITLAM'S REPEATED STATEMENTS THAT NO RPT NO LOANS WERE ACTUALLY CONSUMMATED AND NO RPT NO COMMISSIONS WERE PAID TO LOAN INTERMEDIARIES WERE NOT SUCCESSFULLY REBUTTED BY LIBERAL-COUNTRY OPPOSITION, AND THEREFORE STAND. DEPUTY OPPOSITION LEADER LYNCH IS CURRENTLY IN EUROPE, REPORTEDLY SEEKING TO UNCOVER ADDITIONAL MATERIAL. HOWEVER, MOST OBSERVERS, AND MEDIA IN PARTICULAR, ASSUME AFFAIR IS NOW DEAD.

3. THERE IS EVERY INDICATION THAT MINISTER FOR MINERALS AND ENERGY CONNOR IS STILL EXPLORING POSSIBILITY OF LARGE OVERSEAS LOAN FOR DEVELOPMENT PURPOSES. HOWEVER, IT WILL PROBABLY BE DIFFICULT TO CONCLUDE SUCH A LOAN THROUGH BY-PASSING OF LOANS COUNCIL, AS HAD EVIDENTLY BEEN INTENTION OF LABOR GOVERNMENT OVER PAST SEVERAL MONTHS. LABOR GOVERNMENT'S STANDING IN PUBLIC OPINION POLLS REMAINS PHENOMENALLY LOW - WELL BELOW 40 PERCENT IN MOST SAMPLINGS AND ENOUGH TO ENSURE DISASTROUS DEFEAT IF NATIONAL ELECTIONS HELD IN NEAR FUTURE. POLITICAL FOCUS NOW SWITCHES TO DEVELOPMENT OF FY1976 BUDGET, DUE TO BE BROUGHT DOWN AUG 19.
GREEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS, CENTRAL LEGISLATURE, INVESTIGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CANBER04950
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750255-0952
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750723/aaaaaudr.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 CANBERRA 4714
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2003 by CunninFX>; APPROVED <13 NOV 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SENATE INQUIRY INTO LOANS AFFAIR COMES TO END
TAGS: PINT, AS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006